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Council for
Financial Aid to
Education, Inc.

Corporate Support of Higher Education 1979

Foreword

This survey report contains good news. Corporate support of education continued to advance, both in dollar amounts and in relation to several important indices. Its share of total voluntary support for institutions of higher education reached a record high. And we expect these trends to continue in 1980, despite an anticipated downturn in profits.

Yet this optimism must be tempered. Although corporate dollars flowing to education almost doubled between 1975 and 1979, inflation cut this gain in half in real terms. And corporate support of education has not yet regained the prominent position it held over a decade ago when its percentage of total corporate contributions and of total voluntary support for colleges and universities were both higher than they are today.

The financial problems expected to confront higher education in the next decade will be large. Budgets already strained by inflation will have to be stretched to cover necessary increases in such items as salaries, fuel, and supplies. It will no longer be possible to defer costs for maintenance and renovation of aging facilities. Technological advances in instructional equipment and facilities will have to be funded. Monies will have to be found to purchase more sophisticated and costly laboratory equipment, computerized information retrieval and dissemination systems, and a variety of expensive electronic teaching aids.

These increased costs will have to be spread among fewer students if the impact of changing demographic factors is felt in declining enrollments. With lower enrollments legislators will prove increasingly resistant to raising appropriations for higher education, and there is a limit to the tuition increases that students can afford. Increased giving by individuals and foundations will be able to make up only part of the budget shortfalls. Colleges and universities will thus be forced to come to the corporate community for a larger share of the additional funds they will need if they are to preserve the quality of higher education.

If colleges and universities back up their requests for funds with concrete, well-conceived proposals and if corporations specify and make known the policies guiding their contributions programs and give sympathetic attention to the new needs of the colleges, then the ties between the academic and business communities will be strengthened. The benefits of this cooperation will accrue to our higher education system, to the business community, and ultimately to the nation.

John R. Haire
President

Corporate Support of Higher Education 1979

Highlights

National Estimates — Page 2

Education Support at a New High, estimated at $870 million, a 17.6 percent rise over 1978 and almost double the $450 million of 1975

Minimal Gain in Percentage of Pretax Net Income given to education; it has remained at an almost constant 0.37 percent since 1975

Education's Share of Total Contributions Rose to 35.5 percent from 32.9 percent in 1978, but is still lower than the 37.4 percent of 1975

Inflation Eroded Dollar Gains in education support between 1967 and 1979, limiting the average annual gain to 2.0 percent (in 1967 dollars) compared to the 8.8 percent gain in current dollars

Survey Results — Page 5

Education Support Rose Faster than contributions for all other purposes combined and more than pretax net income

Education Received Record 37.7 percent of total contributions from the 786 companies responding to the survey

Direct Company Contributions Rose, while funding of company foundations slowed; total gifts grew 20.5 percent

538 Companies in Both 1979 and 1978 Surveys showed same patterns as total participants in 1979 survey: education support grew faster than pretax net income and claimed a record 38.4 percent of total support in 1979

Printing and Publishing Industry ranked first in percentage of pretax net income (.565) and percentage of total contributions (49.6) going to education

Manufacturing Companies as a Group contributed .206 percent of PTNI to education, nonmanufacturing companies .144 percent

Educational Support by Manufacturing Companies was inversely related to pretax net income, but education's share of total contributions was directly related to PTNI

Appendix — Page 15

National Measures of Total Corporate Contributions by the Internal Revenue Service differ from the actual flow of corporate dollars to donees

Definitions, Biases, and Measurements in this report

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Table I
National Trends in Corporate Pretax Net Income and Contributions

Year	Corporate Pretax Net Income* (billions of dollars)	Corporate Contributions (millions of dollars) Total**	Education***	Contributions as a Percentage of Corporate Pretax Net Income x Total	Education	Educational Support as a Percentage of Total Contributions x
1967	77.3	830	315	1.07	0.41	38.0
1968	85.6	1,005	355	1.17	0.41	35.3
1969	83.4	1,055	375	1.26	0.45	35.5
1970	71.5	797	320	1.11	0.45	40.2
1971	82.0	865	345	1.05	0.42	39.9
1972	96.2	1,009	365	1.05	0.38	36.2
1973	115.8	1,174	410	1.01	0.35	34.9
1974	126.9	1,200	445	0.95	0.35	37.1
1975	120.4	1,202	450	1.00	0.37	37.4
1976	156.0	1,487	560	0.95	0.36	37.7
1977	177.1	1,800***	650	1.02	0.37	36.7
1978	206.0	2,250***	740	1.09	0.36	32.9
1979	**236.6**	**2,450*** **	**870**	**1.04**	**0.37**	**35.5**
1980 f.	230.0***	2.550***	940	1.11	0.41	36.8

* U.S. Dept. of Commerce ** Internal Revenue Service *** CFAE
x The estimates of total corporate contributions as percentages of PTNI and the percentages of educational support to total contributions shown here are not comparable to the Survey data presented in Part II of this report. For Survey purposes, corporate contributions are adjusted to exclude company gifts to sponsored foundations and to include the grants made by company foundations. For further information, see Appendix. Despite these differences, the data are of some interest.
f. forecast

Part I. National Trends in Corporate Support of Education

Corporate support of education reached an estimated $870 million in 1979, an increase of $130 million, or 17.6 percent, over 1978. Since the last profit downturn in 1975 corporate contributions to education have almost doubled, rising from $450 million to $870 million, but the relation between educational support and pretax net income (PTNI) has stayed at an almost constant 0.37 percent in the four years. During the same period total contributions did slightly better, rising from $1,202 million in 1975 to an estimated $2,450 million in 1979. As a result total contributions in 1979 were 1.04 percent of PTNI, slightly higher than the 1.00 percent of 1975, and education's proportion of corporate philanthropic dollars slipped from 37.4 percent in 1975 to 35.5 percent in 1979.

Total contributions, as shown in Table I, are those reported to the Internal Revenue Service for income tax purposes. They include transfer payments from companies to their foundations but exclude all contributions made by the foundations. On the other hand, CFAE's education estimates include gifts and grants made by the foundations but exclude company payments to these foundations. In good years foundations receive large payments which exceed their payouts. During profit downturns these reserve funds can be and are disbursed to maintain the level of contributions programs. (Figures reported in 1977, 1978, and 1979 are shown on Table IV, page 5.)

Preliminary estimates for 1980, based on fragmentary information, indicate a small rise in total corporate contributions, together with a somewhat larger rise in education support. Since profits in 1980 are likely to decrease, both total contributions and education support will probably claim larger shares of PTNI—estimated at 1.11 percent and 0.41 percent respectively. In part, the faster rise in dollars for education will be accounted for by grants from company foundations. 1980 is expected to be a year in which corporate contributions to foundations will slow considerably while foundation grants continue at a steady or increasing pace.

With the anticipated increase in support, education should receive a larger share of contributions dollars, an estimated 36.8 percent in 1980, more nearly approximating the average 36.3 percent of the last 20 years.

The Problem of Inflation

In the last three decades the average annual growth rates of PTNI, total corporate contributions, and support of education have varied considerably:

	Average Annual Growth Rates		
		Corporate Contributions	
	PTNI	Total	Education
1950-1960	1.3%	6.7%	15.3%
1960-1970	4.9	5.2	6.0
1970-1979	14.2	13.3	11.8
1950-1979	6.1	8.2	10.9

In contrast to the small average growth in profits during the 1950s, support of education rose rapidly, in part because it started from a small base and in part because the legal cloud over those contributions was lifted. Increases such as these were not seen again until the 1970s, when all three factors grew rapidly, although education rose more slowly than the other two. Inflation, however, has been at the root of much of this recent growth. Chart 1 illustrates the surge in grants to education in current dollars, especially since 1975. Yet when they are adjusted for rises in the Consumer Price Index, the growth has been erratic from year to year and small since 1967.

Inflation has cut the average gain of 8.8 percent per year in current dollars since 1967 to a 2.0 percent gain in real terms. And education is not the only victim. Between 1967 and 1979 PTNI increased 9.8 percent annually in current dollars but only 2.9 percent when adjusted; total contributions rose 9.4 and 2.6 percent respectively.

At the same time, dollars flowing to educational institutions are being eroded in another way. Education institutions' costs are rising faster than consumer prices in general. A Higher Education Price Index has been developed by the National Institute of Education to measure changes in the costs of goods and services paid for by institutions of higher education. From a base of 100 in the academic year 1966-67, this index rose to 216.9 in 1978-79; the Consumer Price Index rose only to 206.4.

Chart 1
Estimated Corporate Contributions to Education, 1967-1979

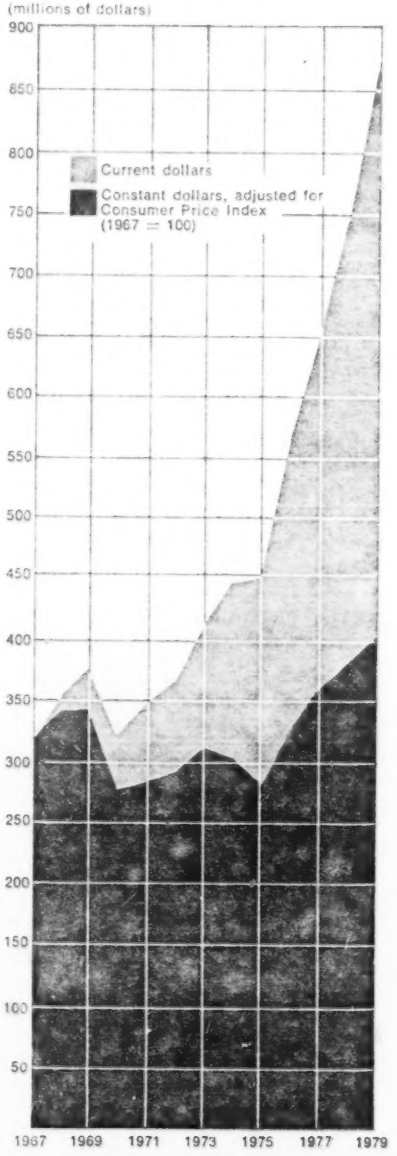


Table II
Corporate Support of Colleges and Universities in Relation to Total Voluntary Support and Institutional Expenditures

Year	Total Expenditures of Institutions of Higher Education* (billions)	Voluntary Support of Institutions of Higher Education** (millions) Total	Corporate	Voluntary Support as a Percentage of Institutional Expenditures Total	Corporate	Corporate Support as a Percentage of Total Voluntary Support
1966-67	17.5	1,480	249	8.5	1.4	16.8
1967-68	19.9	1,600	250	8.0	1.3	15.6
1968-69	22.0	1,800	272	8.2	1.2	15.1
1969-70	24.7	1,780	269	7.2	1.1	15.1
1970-71	27.1	1,860	259	6.9	1.0	13.9
1971-72	29.2	2,020	275	6.9	0.9	13.6
1972-73	31.4	2,240	318	7.1	1.0	14.2
1973-74	34.3	2,240	354	6.5	1.0	15.8
1974-75	38.9	2,160	357	5.6	0.9	16.5
1975-76	42.7	2,410	379	5.6	0.9	15.7
1976-77	46.3	2,670	446	5.8	1.0	16.7
1977-78	49.6	3,040	508	6.1	1.0	16.7
1978-79	**54.0**	**3,230**	**556**	**6.0**	**1.0**	**17.2**
1979-80 e.	58.5	3,650	630	6.2	1.1	17.3
1980-81 f.	64.0	4,000	700	6.3	1.1	17.5

* U.S. Department of Education.
** Estimates by CFAE from Surveys of Voluntary Support of Education, from government documents and other sources.
e. estimate
f. forecast

The Importance of Corporate Support to Higher Education

Support of colleges and universities has historically constituted about 70 percent of all corporate educational support. These gifts have provided between 14 and 17 percent of the total voluntary support received by institutions of higher education. As can be seen in Table II, both corporate and total voluntary support have increased substantially since 1966-67, with only slight dips during the recessions in 1969-70 and 1974-75. Over the same period, however, voluntary support did not keep up with the steady rise in institutional expenditures.

Between 1974-75 and 1978-79 the picture became somewhat brighter. Growth in institutional expenditures stabilized at an average annual 8.5 percent, while total voluntary support averaged a 10.6 percent rise each year and corporate support grew by an even faster 11.7 percent yearly average. Unhappily, inflation in the costs of the goods and services purchased by institutions of higher education, as measured by the Higher Education Price Index, cut into these gains. In constant dollars total voluntary support rose only an average annual 3.4 percent, and corporate support increased 4.4 percent each year on average. These gains still outpaced the average 1.6 percent rise each year in real institutional expenditures, so that the ratios of total voluntary support and corporate support to institutional expenditures have risen slowly.

Preliminary forecasts indicate that these trends will continue in 1979-80 and 1980-81. It is estimated that institutional expenditures will rise at about the same rate as in the last five years, while both total voluntary support and corporate support will grow at faster rates. Their shares of institutional expenditures will therefore continue to rise and may reach higher levels than in almost a decade. Corporate support should also represent a larger proportion of total voluntary support than ever before. In part, the faster expansion in corporate support may reflect the increasing number of colleges and universities seeking and receiving corporate gifts and grants. In 1962-63 85 percent of all institutions participating in the Survey of Voluntary Support of Education reported receiving corporate support. By 1978-79 the figure was 96 percent.

Part II.
The Survey Results

The 786 survey responses are analyzed in two ways: first in historical perspective, using a variety of measures to compare results over several years; and second, through comparisons by various groupings of the participants, such as by industry, by company size, and by marketing area.

Comparisons Over Time

The gains in both education support and total corporate giving reported in 1979 were the largest in the three years shown in Table III, with education receiving a record 37.7 percent of total corporate philanthropy. From 1977 to 1979 contributions to education have grown faster than those to all other purposes combined; they have also risen more than PTNI.

The total contributions of $835.5 million in 1979 came from two sources: the corporations themselves and their foundations. The relationship between these two sources is shown in Table IV, which reconciles the figures reported for income tax purposes with the actual disbursements to various donees. As can be seen, grants to the foundations were 11.1 percent smaller than those in 1978 even though there were more companies reporting in 1979. At the same time the foundations reported contributions that were 26.8 percent above those made in 1978. For these groups of companies the excess of payments into the foundations over gifts and grants paid out by them in the last three years has amounted to $205.6 million. This is a substantial reserve, which can be called upon if the anticipated downturn in profits should slow or stop company payments to their foundations.

Table III
Distribution of Corporate Contributions
(Millions of dollars)

	1979 786 companies		1978 759 companies		1977 814 companies	
Education	$314.8	37.7%	$256.3	37.0%	$220.0	37.0%
Health and Welfare	292.6	35.0	255.9	36.9	227.6	38.3
Culture and Art	82.5	9.9	70.0	10.1	53.2	9.0
Civic Activities	97.3	11.6	79.0	11.4	68.3	11.5
Other	48.3	5.8	32.0	4.6	24.8	4.2
	$835.5	100.0%	$693.2	100.0%	$593.9	100.0%

Table IV
Structure of Corporate Contributions
(Millions of dollars)

	1979		1978		1977	
Total company contributions	$855.7	(763)	$834.4	(759)	$639.9	(793)
Less: Grants to company foundations	372.1	(291)	418.7	(249)	285.1	(248)
Other company contributions	483.6	(722)	415.7	(696)	354.8	(731)
Plus: Contributions by company foundations	351.9	(352)	277.5	(329)	240.9	(341)
Total corporate contributions	$835.5	(786)	$693.2	(759)	$595.7	(816)

(Numbers in parentheses are counts of non-zero answers.)

Table V
Total Contributions and Support of Education in Relation to Worldwide and U.S. Only Pretax Net Income, Assets, and Sales (000 omitted)

Worldwide	1979 724 companies	1978 711 companies	1977 749 companies	1976 727 companies	1975 741 companies
Total Contributions	$ 804,656	$ 671,721	$ 573,517	$ 505,180	$ 417,994
Support of Education	303,876	248,334	204,127	185,442	149,148
Pretax Net Income	159,750,200	138,496,000	119,966,200	103,295,200	77,943,200
Assets	2,351,233,700	2,082,603,800	1,939,027,600	1,689,047,900	1,443,851,600
Sales	1,635,196,200	1,335,164,600	1,220,759,200	1,014,639,000	874,517,400
Total Contributions as % of:					
Pretax Net Income	0.504	0.485	0.478	0.489	0.536
Assets	0.034	0.032	0.030	0.030	0.029
Sales	0.049	0.050	0.047	0.050	0.048
Support of Education as % of:					
Pretax Net Income	0.190	0.179	0.170	0.180	0.191
Assets	0.013	0.012	0.011	0.011	0.010
Sales	0.019	0.019	0.017	0.018	0.017
Support of Education as % of Total Contributions	37.8	37.0	35.6	36.7	35.7

U.S. Only	539 companies	528 companies	552 companies	531 companies	522 companies
Total Contributions	$ 497,308	$ 411,676	$ 317,386	$ 279,319	$ 215,155
Support of Education	188,832	145,458	105,447	90,049	70,731
Pretax Net Income	74,638,900	68,835,900	56,553,100	45,830,600	30,683,700
Assets	1,217,263,400	1,184,678,000	1,088,750,400	931,750,700	663,909,600
Sales	788,442,300	660,723,400	588,315,900	465,280,800	352,841,500
Total Contributions as % of:					
Pretax Net Income	0.666	0.598	0.561	0.610	0.701
Assets	0.041	0.034	0.029	0.030	0.032
Sales	0.063	0.062	0.053	0.060	0.061
Support of Education as % of:					
Pretax Net Income	0.253	0.211	0.187	0.200	0.231
Assets	0.016	0.012	0.010	0.010	0.011
Sales	0.024	0.022	0.018	0.019	0.020
Support of Education as % of Total Contributions	38.0	35.3	33.2	32.2	32.9

Table V compares relationships between contributions and financial data on both "worldwide" and "United States only" bases. Total contributions and educational support each reflect similar patterns in their relations with worldwide and United States PTNI, assets, and sales, but each of the relationships exhibits quite different trends.

Both total and educational contributions were a larger percentage of pretax net income in 1975, a recession year, than in any year since. Contributions were at a low point of total assets in 1975 and gradually rose each year to their highest point in 1979. Contributions as a percentage of net sales dipped to a low point in 1977 and have risen since. This is particularly true for companies which reported United States only data, for which percentages are at a five-year high.

Although the relationships in the previous tables are interesting and informative, variations in the numbers and composition of the group of responding companies each year make comparisons difficult. Table VI addresses this situation by presenting a two-year comparison of the 538 companies that participated in both the 1978 and the 1979 surveys. Education support by

Table VI
Support of Education, Two Survey Years
(538 Companies Participating in Both Surveys)

Industry	1979 Worldwide Pretax Net Income (millions)	1979 Support of Education: Amount	1979 Support of Education: % of PTNI	1979 Support of Education: % of Total Contributions	1978 Worldwide Pretax Net Income (millions)	1978 Support of Education: Amount	1978 Support of Education: % of PTNI	1978 Support of Education: % of Total Contributions	% Change 1979-1978: Education	% Change 1979-1978: PTNI
MANUFACTURING										
Chemicals(33)	$ 13,255	$ 35,437	.267	47.7	$ 11,340	$ 28,402	.251	46.5	+24.8	+16.9
Electrical Machinery(28)	13,615	29,753	.219	41.6	12,953	26,350	.203	43.1	+12.9	+ 5.1
Fabricated Metals(19)	1,333	2,763	.207	30.6	1,230	2,595	.211	35.4	+ 6.4	+ 8.4
Food, Beverage & Tobacco(32)	6,615	20,217	.306	45.9	5,896	14,994	.254	42.1	+34.8	+12.2
Machinery(34)	5,591	9,650	.173	31.6	5,082	7,829	.154	33.7	+23.3	+10.0
Mining(8)	1,047	2,368	.226	51.0	488	1,670	.342	48.1	+41.8	+114.5
Paper & Allied Products(18)	3,639	8,080	.222	41.8	2,750	7,445	.271	25.0	+ 8.5	+32.3
Petroleum & Gas(27)	47,451	55,819	.118	47.3	31,030	45,172	.146	49.1	+23.6	+52.9
Pharmaceuticals(15)	3,352	8,958	.267	41.2	2,960	8,741	.295	46.2	+ 2.4	+13.2
Primary Metals(17)	2,650	9,920	.374	37.9	2,663	8,731	.328	36.1	+13.6	— 0.4
Printing & Publishing(5)	736	5,685	.772	54.1	664	2,208	.333	36.7	+157.4	+10.8
Rubber(9)	404	1,758	.434	36.6	793	1,794	.226	36.4	— 2.0	—49.1
Stone, Clay & Glass(9)	1,435	4,081	.284	32.6	1,234	3,876	.314	36.1	+ 5.3	+16.3
Textiles & Apparel(17)	1,107	4,461	.403	42.9	994	3,758	.378	41.0	+18.7	+11.4
Transportation Equipment(18)	10,590	27,390	.259	45.0	12,649	21,719	.172	42.6	+26.1	—16.3
TOTAL—(289)	$112,822	$226,341	.201	43.7	$ 92,726	$185,284	.200	42.2	+22.2	+21.7
NONMANUFACTURING										
Banks(59)	$ 5,555	$ 11,547	.208	26.2	$ 4,865	$ 8,618	.177	25.2	+34.0	+14.2
Business Services(8)	1,701	2,183	.128	40.6	880	1,624	.184	36.0	+34.4	+93.3
Engineering & Construction(7)	764	1,088	.142	27.2	857	936	.109	36.6	+16.2	—10.9
Finance(8)	604	862	.143	20.5	618	959	.155	21.0	—10.1	— 2.3
Total—Insurance(68)	7,135	13,658	.191	33.6	6,897	12,004	.174	36.8	+13.8	+ 3.4
Life(53)	4,936*	10,942	.222	34.5	4,826*	9,693	.201	37.7	+12.9	+ 2.3
Property/Liability(15)	2,199**	2,716	.124	30.5	2,071**	2,311	.112	33.4	+17.5	+ 6.2
Merchandising(15)	3,000	7,069	.236	15.4	3,359	6,796	.202	17.4	+ 4.0	—10.7
Telecommunications(20)	10,756	11,487	.107	27.8	11,460	10,817	.094	27.1	+ 6.2	— 6.1
Transportation(5)	1,313	1,924	.147	21.9	1,025	1,804	.176	26.9	+ 6.7	+28.1
Utilities(59)	6,899	6,045	.088	27.8	6,543	5,299	.081	26.8	+14.1	+ 5.4
TOTAL—(249)	$ 37,727	$ 55,863	.148	25.9	$ 36,504	$ 48,857	.134	26.6	+14.3	+ 3.4
GRAND TOTAL(538)	$150,549	$282,204	.187	38.4	$129,230	$234,141	.181	37.6	+20.5	+16.4

* Net gains less policyholder dividends.
** Net income less policyholder dividends and capital gains.

this group of companies rose faster than did pretax net income (20.5 percent versus 16.4 percent), and education received an increased proportion of the total contributions made by these companies in 1979.

Manufacturing companies contributed four times as much to education as did the nonmanufacturing companies, although they had only three times as much pretax net income. Contributions to education from the manufacturing group were up 22.2 percent against a 14.3 percent rise for the nonmanufacturing companies.

Year-to-year variations in the relationships between PTNI and education support within the various industry groups should be approached with caution, since they are greatly influenced by changes not only in the amounts contributed but also in the profit picture of a given industry. For example, in 1979 rubber was the only manufacturing industry that decreased its educational support, yet the percentage of PTNI allocated to education rose dramatically from 0.226 to 0.434 because of a 49 percent drop in profits. Likewise, merchandising profits decreased by 10.7 percent, while dollar support of education remained almost constant with the result that the industry share of PTNI going to education took a large jump from 0.202 percent to 0.236 percent.

Comparisons by Groupings

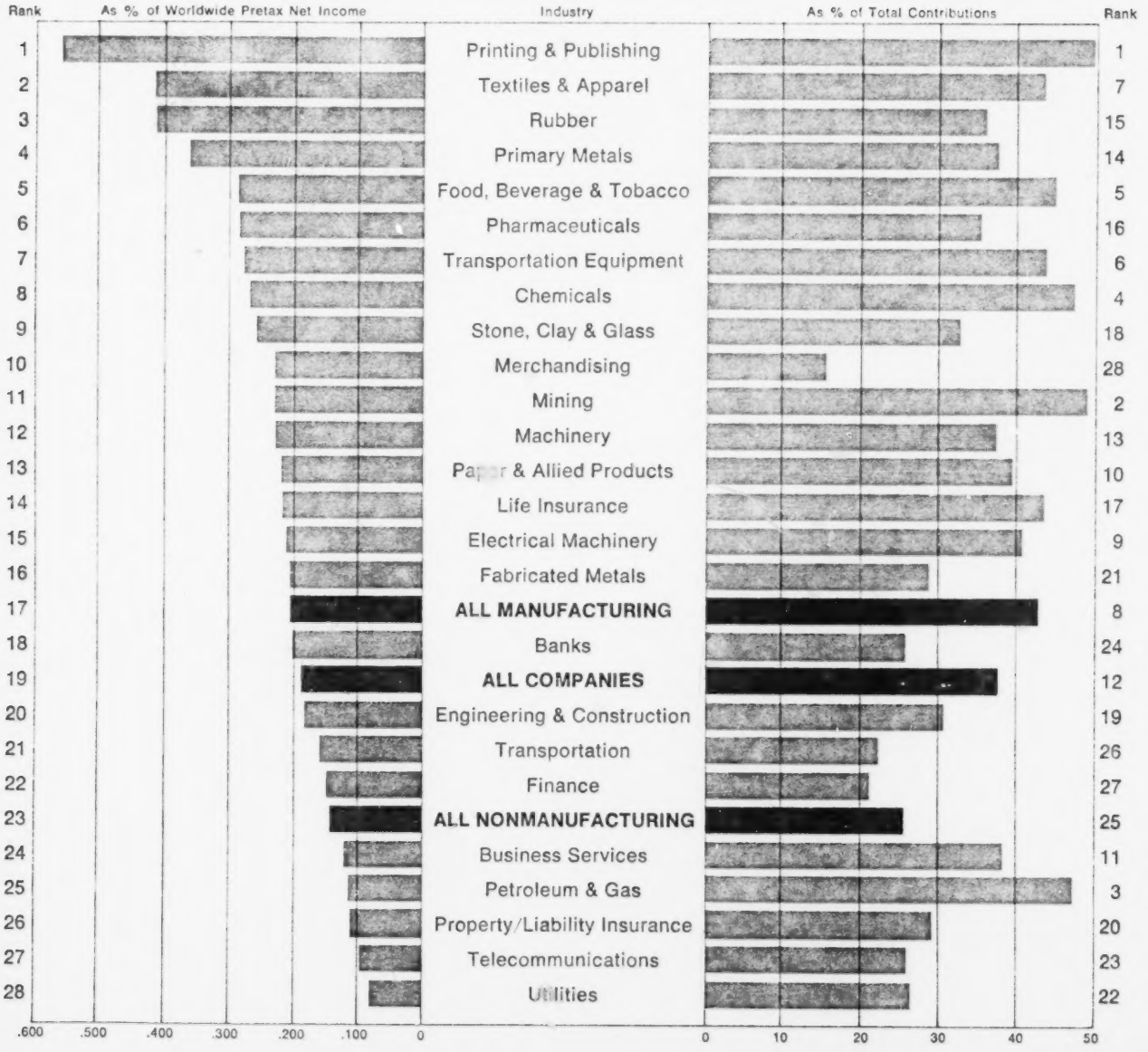
By Industry

There are several useful ways of comparing contributions to education by industry. One is a ranking by percentage of pretax net income, another is a ranking by percentage of total contributions; both figures are shown on Chart 2. Most striking is the different importance that contributions to education bear in relation to PTNI and total contributions. There does not appear to be a strong relationship between the two.

A few industries assume the same rank with respect to both—printing and publishing, and food, beverage and tobacco, for example—but this is not true for most of the industries. Mining, for instance, is second as an industry in terms of the proportion of its philanthropic dollars going to education, but only tenth in terms of the percentage of its PTNI contributed to education. The manufacturing companies as a group give a relatively high place to education support (ranking eighth), but they rank seventeenth with respect to the proportion of PTNI channeled to education. Even the utilities, which give the lowest proportion of their pretax net income to education, give greater importance to education in their total contributions programs than does merchandising. The nonmanufacturing companies as a group rank low with respect to both measures, contributing little of their PTNI to education and only a small percentage of their total grants to education.

Additional factors should be examined to bring greater depth to an analysis of industry giving patterns. Table VII presents details about relationships with several financial measures.

Chart 2
Comparative Rankings of Educational Support, by Industry 1979


Rank
As % of Worldwide Pretax Net Income
Industry
As % of Total Contributions
Rank
1 Printing & Publishing 1
2 Textiles & Apparel 7
3 Rubber 15
4 Primary Metals 14
5 Food, Beverage & Tobacco 5
6 Pharmaceuticals 16
7 Transportation Equipment 6
8 Chemicals 4
9 Stone, Clay & Glass 18
10 Merchandising 28
11 Mining 2
12 Machinery 13
13 Paper & Allied Products 10
14 Life Insurance 17
15 Electrical Machinery 9
16 Fabricated Metals 21
17 ALL MANUFACTURING 8
18 Banks 24
19 ALL COMPANIES 12
20 Engineering & Construction 19
21 Transportation 26
22 Finance 27
23 ALL NONMANUFACTURING 25
24 Business Services 11
25 Petroleum & Gas 3
26 Property/Liability Insurance 20
27 Telecommunications 23
28 Utilities 22
.600 .500 .400 .300 .200 .100 0
0 10 20 30 40 50

The manufacturing companies accounted for almost three-quarters of the PTNI and three-fifths of the sales of all the companies in this sample, yet they gave four-fifths of the education support dollars. Manufacturers also gave a larger percentage of income to education than did the nonmanufacturing companies.

Gross comparisons between the 724 respondents in 1979 and the 711 in 1978 show that both total contributions and support of education were larger percentages of PTNI and assets in 1979 than in 1978. On the other hand, both were smaller percentages of sales in the later year.

When industries are ranked according to the dollar amounts of education grants reported, several of the industries with the smallest dollar totals of education support ranked even lower in terms of total PTNI reported, thus giving them a high ranking in terms of percentage of PTNI flowing to education. There seems to be an inverse relationship between contributions to education and PTNI for manufacturing industries: the larger the profits, the smaller the percentage given to education, and vice versa.

The nonmanufacturing companies, on the other hand, react differently. The five industries with the lowest dollar contributions to education were also those with the lowest PTNI totals but were generally in the middle ranks in terms of percentage of PTNI given to education. Most of this variation results from the relative importance of education in their contributions budgets. For these five industry groups education received between 21.3 and 38.3 percent of all grants; these percentages were the next to lowest and the highest, respectively, in the total nonmanufacturing group. The remainder of the rankings were unrelated.

Variations in the proportion of total philanthropy that goes to education are wide, ranging from a low of 15.4 percent to a high of 49.6 percent. Overall the manufacturing industries gave larger percentages of their contributions dollars to education than did the nonmanufacturing companies. The lowest percentage for a manufacturing industry was 29.0, almost double the nonmanufacturing low of 15.4 percent. Overall, the manufacturing industries gave 42.7 percent or more of their total grants to education, while the nonmanufacturers gave less than this in all cases.

Table VII
Total Contributions and Support of Education in Relation to Worldwide Pretax Net Income, Assets, and Sales, 1979

Industry	Pretax Net Income (millions)	Assets (millions)
MANUFACTURING		
Chemicals(44)	$ 13,639	$ 91,273
Electrical Machinery(41)	14,758	88,067
Fabricated Metals(25)	1,568	13,307
Food, Beverage & Tobacco(41)	7,285	51,279
Machinery(53)	6,775	51,253
Mining(11)	1,302	10,277
Paper & Allied Products(26)	4,362	34,902
Petroleum & Gas(30)	47,746	245,217
Pharmaceuticals(16)	3,944	20,828
Primary Metals(18)	2,759	40,891
Printing & Publishing(13)	1,101	6,455
Rubber(10)	574	15,075
Stone, Clay & Glass(14)	1,709	15,036
Textiles & Apparel(21)	1,160	9,647
Transportation Equipment(24)	9,963	103,037
TOTAL—(387)	$118,645	$ 796,544
NONMANUFACTURING		
Banks(85)	$ 6,330	$ 719,190
Business Services(15)	2,143	48,795
Engineering & Construction(13)	846	7,195
Finance(8)	571	27,116
Total—Insurance(86)	7,770	389,503
Life(61)	5,097**	317,866
Property/Liability(25)	2,673***	71,637
Merchandising(21)	3,132	41,863
Telecommunications(22)	10,152	145,852
Transportation(9)	1,458	26,500
Utilities(78)	8,701	148,676
TOTAL—(337)	$ 41,105	$1,554,690
GRAND TOTAL(724)	$159,750	$2,351,234
1978 Grand Total(711)	$138,496	$2,082,604

* Total operating income.
** Net gains less policyholder dividends.
*** Net income less policyholder dividends and capital gains.

Sales (millions)	Total Contributions (000)	Support of Education (000)	Total Contributions as % of: PTNI	Assets	Sales	Support of Education as % of: PTNI	Assets	Sales	Support of Education as % of Total Contributions	Industry
										MANUFACTURING
$ 116,432	$ 76,951	$ 36,259	.564	.084	.066	.266	.040	.031	47.1	Chemicals(44)
115,020	78,297	31,798	.531	.089	.069	.215	.036	.028	40.6	Electrical Machinery(41)
22,331	10,721	3,265	.684	.081	.048	.207	.024	.014	30.4	Fabricated Metals(25)
93,392	47,849	21,497	.657	.093	.051	.295	.042	.023	44.9	Food, Beverage & Tobacco(41)
70,713	41,200	15,469	.608	.080	.058	.228	.030	.022	37.5	Machinery(53)
10,232	6,154	3,017	.473	.060	.060	.232	.029	.030	49.0	Mining(11)
40,655	24,862	9,868	.570	.071	.061	.226	.028	.024	39.7	Paper & Allied Products(26)
340,889	118,711	56,029	.249	.048	.034	.117	.023	.016	47.2	Petroleum & Gas(30)
23,702	32,467	11,491	.823	.156	.137	.291	.055	.049	35.4	Pharmaceuticals(16)
50,206	26,781	10,004	.971	.065	.053	.363	.024	.020	37.4	Primary Metals(18)
8,482	12,525	6,225	1.138	.194	.148	.565	.100	.073	49.6	Printing & Publishing(13)
22,614	6,588	2,367	1.148	.044	.029	.412	.016	.011	35.9	Rubber(10)
18,158	13,678	4,473	.800	.091	.075	.262	.030	.024	32.7	Stone, Clay & Glass(14)
15,961	11,173	4,835	.963	.116	.070	.417	.050	.030	43.3	Textiles & Apparel(21)
178,303	64,813	28,206	.651	.063	.036	.283	.027	.016	43.5	Transportation Equipment(24)
$1,127,090	$572,770	$244,804	.483	.072	.051	.206	.031	.022	42.7	TOTAL—(387)
										NONMANUFACTURING
$ 64,852*	$ 49,671	$ 12,913	.704	.007	.077	.204	.002	.020	26.0	Banks(85)
63,520	6,813	2,609	.318	.014	.011	.122	.005	.004	38.3	Business Services(15)
23,932	5,066	1,562	.599	.070	.021	.184	.022	.007	30.8	Engineering & Construction(13)
8,010*	4,074	866	.714	.015	.051	.152	.003	.011	21.3	Finance(8)
106,701	43,214	14,300	.556	.011	.040	.184	.004	.013	33.1	Total—Insurance(86)
75,657†	32,732	11,218	.642	.010	.043	.220	.004	.014	34.3	Life(61)
31,044‡	10,482	3,082	.392	.014	.034	.115	.004	.010	29.4	Property/Liability(25)
67,527	47,126	7,260	1.504	.113	.070	.232	.017	.011	15.4	Merchandising(21)
87,597	38,593	10,057	.380	.026	.044	.099	.007	.012	26.1	Telecommunications(22)
20,442	10,422	2,336	.715	.039	.051	.160	.009	.011	22.4	Transportation(9)
65,525	26,907	7,168	.309	.018	.041	.082	.004	.011	26.6	Utilities(78)
$ 508,106	$231,886	$ 59,072	.564	.014	.046	.144	.004	.012	25.5	TOTAL—(337)
$1,635,196	$804,656	$303,876	.504	.034	.049	.190	.013	.019	37.8	GRAND TOTAL(724)
$1,335,165	$671,721	$248,334	.485	.032	.050	.179	.012	.019	37.0	1978 Grand Total(711)

† Income less policyholder dividends.
‡ Earned premiums less policyholder dividends

Table VIII
Support of Education as a Percentage of Worldwide Pretax Net Income—Low, Industry-Wide, Median and High, 1979

Industry*	Low	Industry-Wide	Median	High
MANUFACTURING				
Chemicals(44)	0.018	0.266	0.271	1.104
Electrical Machinery(41)	0.014	0.215	0.171	0.878
Fabricated Metals(25)	0.044	0.208	0.178	1.145
Food, Beverage & Tobacco(40)	0.027	0.294	0.195	0.952
Machinery(53)	0.003	0.228	0.134	1.377
Mining(11)	0.005	0.232	0.205	0.359
Paper & Allied Products(26)	0.019	0.226	0.159	0.800
Petroleum & Gas(30)	0.009	0.117	0.101	0.380
Pharmaceuticals(15)	0.064	0.289	0.233	0.669
Primary Metals(17)	0.062	0.257	0.132	0.536
Printing & Publishing(13)	0.064	0.566	0.216	2.134
Rubber(9)	0.038	0.296	0.198	0.364
Stone, Clay & Glass(14)	0.061	0.262	0.224	1.739
Textiles & Apparel(20)	0.063	0.415	0.366	2.379
Transportation Equipment(23)	0.036	0.251	0.171	0.408
TOTAL—(381)	0.003	0.201	0.188	2.379
NONMANUFACTURING				
Banks(88)	0.019	0.204	0.213	1.136
Business Services(15)	0.001	0.122	0.081	3.782
Engineering & Construction(13)	0.096	0.184	0.169	4.445
Finance(9)	0.008	0.143	0.143	1.380
Total—Insurance(87)	0.009	0.184	0.155	6.339
Life(62)	0.009	0.220	0.182	6.339
Property/Liability(25)	0.024	0.115	0.098	0.420
Merchandising(21)	0.029	0.232	0.175	1.579
Telecommunications(24)	0.022	0.102	0.086	1.275
Transportation(8)	0.019	0.122	0.071	0.195
Utilities(78)	0.008	0.082	0.076	0.861
TOTAL—(343)	0.001	0.142	0.136	6.339
GRAND TOTAL(724)	0.001	0.186	0.162	6.339

* Excludes six net loss companies and includes six companies that did not report complete financial data required in Table VII.

***The Survey Results** (Continued)*

The industry-wide percentage of pretax net income given to education is calculated by dividing the total educational contributions reported by the companies in an industry by the total PTNI reported by those companies. This percentage is affected not only by the number of large companies within the industry sample but also by the size of their education contributions in relation to their PTNI. One way to discover the influence of these two factors is to compare each industry-wide percentage with the median percentage for the industry, as is done in Table VIII.

The median is not affected by the size of the extreme values for the group, but the industry-wide figure is. The difference between the median percentage and the industry-wide percentage, however, is very much influenced by the nature of the companies in the halves above and below the median. When the large companies in an industry give at percentage rates above the median, the industry-wide percentage will be above the median. This will be especially true if a large company gives at the highest percentage rate in the industry. Conversely, when large companies give at below-the-median rates, the industry-wide percentage will be below the median.

With the exception of only three industry groups—finance, chemicals, and banks—all of the industry-wide percentages shown in Table VIII are above the medians, indicating that many of the large companies are indeed giving at rates above their industry median. This skewing is particularly noticeable in many of the manufacturing industries, where the differences between the industry-wide and median percentages run from a low of .016 percentage points to a high of .350 points. Although there is some overlap, in general the nonmanufacturers have industry-wide percentages that are closer to the medians than do the manufacturers. This would indicate that the larger nonmanufacturing companies are close to the median in the percentages of PTNI given to education.

The data in this table present further evidence of the large-company bias in the survey sample. They also highlight the fact that because of this bias high industry-wide percentages may not typify the industry.

By Company Size

Table IX compares the manufacturing companies by size of worldwide pretax net income, assets, and sales. The medians for these measures show that at least half of the companies have PTNI greater than $89 million, assets above $771 million, and sales of more than $1.04 billion. These median figures fall well within the ranges for PTNI, assets, and sales reported by the *Fortune* 500 companies and are thus further evidence that the survey respondents are predominantly large companies.

In general, there is an inverse relationship between contributions and corporate size as measured by all three factors. The larger the PTNI, assets, and sales of the 387 manufacturing companies in the survey, the smaller the percentages given for all philanthropic purposes and for support of education.

On the other hand, the importance of education support to total contributions is in general directly related to the size of the manufacturing companies regardless how measured. The largest companies gave more heavily to education as part of their contributions programs than did the smaller companies.

Table IX
Contributions by Manufacturing Companies, by Size of Worldwide Pretax Net Income, Assets, and Sales, 1979

Pretax Net Income	% of PTNI		Support of Education as % of Total Contributions
	Total	Education	
Net Loss(6)			27.6
Net Income less than $5 million(12)	2.061	0.676	32.8
$ 5 million under $ 10 million(23)	1.723	0.394	22.9
$ 10 million under $ 25 million(54)	0.827	0.233	28.2
$ 25 million under $ 50 million(53)	0.857	0.277	32.3
$ 50 million under $100 million(58)	0.588	0.193	32.8
$100 million under $250 million(86)	0.656	0.251	38.3
$250 million under $500 million(52)	0.633	0.237	37.4
$500 million under $ 1 billion(19)	0.556	0.255	45.9
$ 1 billion and over(24)	0.339	0.168	49.5
All Manufacturing Companies(387)	0.483	0.206	42.7

Assets	% of Assets		
$ 25 million under $ 50 million(8)	0.276	0.122	44.2
$ 50 million under $100 million(32)	0.169	0.036	21.5
$100 million under $250 million(73)	0.102	0.036	35.0
$250 million under $500 million(47)	0.086	0.027	31.6
$500 million under $ 1 billion(60)	0.084	0.033	39.9
$ 1 billion under $ 2.5 billion(89)	0.080	0.029	36.4
$ 2.5 billion under $ 5 billion(39)	0.079	0.032	40.8
$ 5 billion under $ 10 billion(23)	0.072	0.033	46.4
$ 10 billion and over(14)	0.059	0.029	48.7
All Manufacturing Companies(387)	0.072	0.031	42.7

Sales	% of Sales		
$ 25 million under $ 50 million(3)	0.078	0.042	54.5
$ 50 million under $100 million(8)	0.202	0.024	12.0
$100 million under $250 million(61)	0.063	0.020	32.4
$250 million under $500 million(64)	0.070	0.023	33.2
$500 million under $ 1 billion(55)	0.061	0.026	42.5
$ 1 billion under $ 2.5 billion(91)	0.061	0.023	38.4
$ 2.5 billion under $ 5 billion(56)	0.059	0.022	36.9
$ 5 billion under $ 10 billion(31)	0.054	0.025	46.0
$ 10 billion and over(18)	0.040	0.019	47.7
All Manufacturing Companies(387)	0.051	0.022	42.7

Table X
Support of Education by Major Marketing Areas, 1979

Marketing Area	Worldwide Pretax Net Income (000)	Support of Education	Support of Education as % of PTNI %	Rank	Total Contributions	Support of Education as % of Total Contributions %	Rank
Akron(6)	$ 795,295	$ 2,068,713	.260	6	$ 5,879,797	35.2	9
Baltimore(8)	475,428	584,241	.123	18	2,539,087	23.0	20
Boston(21)	2,307,888	6,927,833	.300	3	16,249,864	42.6	2
Chicago(67)	10,696,097	19,889,080	.186	11	70,561,176	28.2	18
Cincinnati-Dayton(16)	2,262,381	5,517,008	.244	8	13,248,698	41.6	4
Cleveland(18)	3,820,104	6,411,037	.168	15	16,490,609	38.9	8
Dallas-Ft. Worth(16)	2,148,636	2,620,369	.122	19	8,886,214	29.5	15
Des Moines(10)	267,456	600,898	.224	9	2,083,984	28.8	17
Detroit(14)	7,161,904	22,854,166	.319	2	47,073,590	48.5	1
Hartford(12)	2,573,889	5,037,214	.196	10	16,673,402	30.2	14
Houston(13)	4,884,631	6,861,308	.141	16	16,496,523	41.6	4
Indianapolis(8)	962,428	710,748	.074	21	4,301,122	16.5	21
Kansas City(5)	506,568	382,941	.076	20	1,439,677	26.6	19
Los Angeles(28)	7,498,162	12,846,816	.171	14	36,628,126	35.1	10
Milwaukee(18)	1,673,494	4,695,214	.298	4	11,183,672	42.0	3
Minneapolis-St. Paul(29)	2,671,287	9,897,856	.371	1	33,564,398	29.5	15
New York, Westchester Southern Conn./N.J.(142)	60,743,595	105,869,591	.174	13	265,291,457	39.9	7
Philadelphia(36)	5,879,184	10,753,504	.183	12	30,857,305	34.8	11
Pittsburgh(20)	6,141,745	15,014,421	.244	7	36,689,103	40.9	6
St. Louis(12)	1,704,939	4,689,665	.275	5	15,044,123	31.2	13
San Francisco(18)	6,502,788	8,758,175	.134	17	27,191,254	32.2	12

By Marketing Area

Companies can also be compared geographically, as is done in Table X. This table shows education support as a percentage of PTNI and of total contributions for the 517 companies located in 21 major marketing areas.

The ranges both of dollar figures and of percentages are huge, partially because of the wide variation in the number of companies reporting from each of the locations. Comparisons and rankings among cities, particularly those represented by a very small number of companies, should therefore be approached cautiously. As noted before, relationships, whether by geographic location or by industry, vary from year to year because of changes both in the sample and in business conditions. Thus the relative positions of the various marketing areas with respect to the relationship between PTNI and contributions vary over time.

Appendix

The Problems of Measuring Total Corporate Contributions Nationally

At the present time the only nationwide data on total corporate philanthropy in the United States are those tabulated by the Internal Revenue Service (IRS) from the corporate income tax returns filed each year. In some instances these figures include monies that were not actually paid to donees in that year, and in other cases they do not include all of the contributions dollars received by charitable organizations in the year. The magnitude of the differences between the IRS figures and actual contributions is not known, yet there is ample reason to believe that it is significant and that it varies from year to year, depending upon business conditions and other elements. There are four factors contributing to this situation.

1. The figures reported by corporations on their income tax returns *include* contributions to company-sponsored foundations but *exclude* the gifts and grants made by these foundations. Company foundations were established primarily to insulate the flow of contributions from the ups and downs of the business cycle. Typically, therefore, the amounts given by a company to its foundation in a prosperous year will exceed the contributions made by that foundation, thus enabling the foundation to add to its reserve against leaner times. The IRS figures in this year will overstate the amounts actually given to donees. Conversely, in depressed times when company payments either slow or stop completely, the foundation will draw upon its reserves to maintain the level of its contributions program. The IRS figures for these years will understate actual gifts and grants.

2. The tax code allows for carryovers of contributions from past years and into the future, thus distorting reported amounts of gifts and grants. The tax code provides that certain exclusions and deductions, not ordinarily recognized by generally accepted accounting principles, may be used by corporations in calculating their taxable income. These provisions can result in taxable income that is significantly lower than pretax net income. The code also provides that up to 5 percent of taxable income may be deducted for charitable contributions. Anytime that contributions exceed this 5 percent, the excess contributions have to be carried over into the following year (Section 170(d)(2)). An unknown portion of the amount reported by corporations to the IRS *includes* excesses from previous years and *excludes* amounts paid during the current year that are being carried into future years.

3. Many companies use the right to "prepay" contributions, as provided in Section 170(a)(2) of the tax code. Under certain circumstances contributions made in the first two and a half months of a year may be taken as a deduction from the prior year's income. An undetermined amount of the contributions reported to the IRS include funds that were actually disbursed in the following year, under this provision.

4. There are special provisions under which mutual insurance companies, mutual savings banks, savings and loan associations, and similar corporations may compute income taxes without reference to charitable contributions. In these situations the companies do not have to report their contributions when filing their tax returns. The size of these omissions is not known, but their effect is to cause the IRS figures to understate contributions amounts.

It is clear therefore that the total amount actually received by charitable organizations in any given year will differ from the amounts tabulated by the IRS from corporate income tax returns for that year. Although the size of these differences is not known, 26 percent of the respondents to the 1979 survey indicated that the amounts reported on the company tax return were not the same as those reported in the survey as actual contributions in 1979. It is hoped that the accumulation of data from the companies participating in this survey over the years will provide a basis for making adjustments to the IRS data in the future so that more accurate estimates of the actual annual receipt of philanthropic dollars can be made.

Definitions: Contributions

Because of the problems with IRS tabulations of contributions data outlined above, this report contains figures with different bases. The national contributions totals in Table I are from the IRS; all other figures on total contributions and support of education are based on figures reported by the respondents and *include* gifts and grants made by their company-sponsored foundations, as well as contributions made directly by the companies themselves, but *exclude* payments by the companies into their foundations. In addition, most of these figures are for payments actually made during the year and exclude any carryovers or prepayments reported for income tax purposes.

Definitions: Financial Data

The information regarding sales, assets, and pretax net income is what the survey respondents reported to their stockholders and to the financial community in their consolidated financial statements. It includes dollars derived from overseas sources as well as from domestic operations. The data for companies without international operations are included in the "worldwide" figures. At the same time a number of companies expressed an interest in information related only to operations in the United States since most contributions are limited to institutions in this country. A few comparisons are made using this domestic data, although worldwide figures are used in most of the analyses. The Conference Board's Annual Survey of Corporate Contributions includes additional tables with detailed comparisons of "U. S. Only" data.

Survey Biases

The survey is not representative of the entire corporate community of some two million companies. The respondents are heavily weighted by the largest companies in terms of sales, assets, and earnings, and the same bias is present in each of the industrial and geographic groupings. There are also disproportionately large numbers of companies in several manufacturing industries and in banking, life insurance, and the utilities, while companies in rubber, finance, and transportation are significantly underrepresented.

Comparisons of Percentages by Groupings

The percentage relationships for the various groupings of respondents to this survey express the percentages that total and education contributions are of the several financial measures. To calculate the percentage that education support is of PTNI by industry, for example, the total educational contributions reported by the companies in the industry are divided by the total PTNI reported by these companies. The resulting percentage for that group of respondents reflects the composition of the particular group and is influenced by the various sizes of the component companies. It is in no way representative of the total universe of companies in the industry and can indeed be skewed in any one year by the inclusion of a single company that dominates the industry or by a large number of small or atypical companies.

Other ways to compute averages exist, some of which may be useful in dealing with nonrepresentative samples and in correcting for the skewing possible by extreme variations in the size of respondents. One procedure is to calculate the percentage for each company, add those of all companies in the group, and divide the sum by the number of companies in the sample. Obviously, there can also be distortions when this method is used.

The results of the two methods are quite different, as is shown in the following tabulation of the percentages total contributions are of PTNI for the manufacturing industries reported in Table VII. As can be seen, the variations in the results derived by the two methods are wide.

Although there are persuasive arguments for each, it was decided to continue using the industry-wide percentages in this report because of the value of being able to make industry comparisons over time.

Industry	Industry-wide Percentages	Averages of the Percentages
Chemicals	.56	.77
Electrical Machinery	.53	1.02
Fabricated Metals	.68	.95
Food, Beverage & Tobacco	.66	.85
Machinery	.61	.75
Mining	.47	.49
Paper & Allied Products	.57	.74
Petroleum & Gas	.25	.27
Pharmaceuticals	.82	.23
Primary Metals	.97	.50
Printing & Publishing	1.14	.91
Rubber	1.15	.62
Stone, Clay & Glass	.80	1.12
Textiles	.96	1.34
Transportation Equipment	.65	.51
All Manufacturing Companies	.48	.76

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